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November 13, 2009

**VIA ELECTRONIC FILING**

Mr. Charles L.A. Terreni  
Chief Clerk/Administrator  
South Carolina Public Service Commission  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: State Universal Support of Basic Local Service Included in a Bundled Service  
Offering or Contract Offering  
Docket No. 2009-326-C

Dear Mr. Terreni:

Enclosed please find the pre-filed **Surreply Testimony of Ann C. Prockish** filed on behalf of United Telephone Company of the Carolinas, LLC d/b/a CenturyLink in the above referenced docket. By copy of this letter, I am serving all parties of record.

If you have any questions or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.



Scott Elliott

SE/jcl

cc: All Parties of Record  
via US Mail & E-mail

1        **BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

2                                **DOCKET NO. 2009-326-C**

3                                **SURREPLY TESTIMONY OF ANN C. PROCKISH**

4  
5    **Q.     Please state your name, title, and business address.**

6    A.     My name is Ann C. Prockish. I am employed by CenturyLink (formerly Embarq)  
7           as Senior Manager – Regulatory Operations. My business address is 100  
8           CenturyLink Drive, Monroe, Louisiana 71203.

9    **Q.     Are you the same Ann C. Prockish that filed direct and reply testimony in**  
10       **this proceeding?**

11   A.     Yes, I am.

12   **Q.     What is the purpose of your surreply testimony?**

13   A.     My testimony refutes several erroneous arguments made by Mr. Joseph Gillan,  
14           who filed reply testimony on behalf of the South Carolina Cable Television  
15           Association, Compsouth, tw telecom of South Carolina LLC, and NuVox  
16           Communications, Inc. (hereinafter “CLECs”). In particular Mr. Gillan ignores the  
17           fact that bundled and contract offerings include an access line that provides basic  
18           local exchange telecommunications service. It is that access line, not the bundled  
19           or contract offering itself, which receives the state USF support.

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1    **Q.     Mr. Gillan implies that the question before the Public Service Commission of**  
2           **South Carolina (the “Commission) in this proceeding is whether or not state**  
3           **USF support should be expanded to include deregulated bundled offerings.**  
4           **Do you agree with this characterization?**

5    A.    No, I do not. Providing support for access lines that are part of bundled offerings  
6           does not expand state USF support nor has any party in this proceeding advocated  
7           for the expansion of services for which state USF support is provided. Under  
8           current Commission rules, the only service eligible for state support is basic local  
9           exchange telecommunications service. The single question before this  
10          Commission in this proceeding is whether basic local exchange  
11          telecommunications service ceases to be eligible for support once it is bundled  
12          with other services pursuant to South Carolina Code 58-9-285, despite Mr.  
13          Gillan’s attempts to obfuscate the issues otherwise.

14   **Q.     Did the South Carolina General Assembly, in 58-9-280 or 58-9-285, expressly**  
15          **prohibit state USF support for basic local exchange telecommunications**  
16          **service that is bundled with other services?**

17   A.    No, it did not. South Carolina Code Section 58-9-280(I) authorizes incumbent  
18          local exchange carriers (“ILECs”) to meet the offerings of any competing local  
19          exchange carrier serving the same area by bundling its services. Nothing in that  
20          section suggests that basic local exchange telecommunications service that is  
21          provided as part of a bundled or contract offering is not eligible for state USF  
22          support. In addition, Subsection (C) of Section 58-9-285 states that nothing in the  
23          Section affects the Commission’s jurisdiction over distributions from the fund.

1    **Q.     Why does Mr. Gillan believe that bundled offerings are not eligible for**  
2       **support?**

3    **A.     Mr. Gillan, throughout his reply testimony, confuses state USF support for**  
4       **regulated basic local exchange telecommunications service with support for**  
5       **deregulated bundled offerings. At pages four through five of Mr. Gillan's**  
6       **testimony he states that the state USF includes a distinction between eligible and**  
7       **ineligible lines, and that the only lines eligible for state USF support are**  
8       **residential and single-line business service. Mr. Gillan conveniently ignores the**  
9       **fact that the bundled and contract offerings in question include residential or**  
10      **single-line business services, the very services he acknowledges are eligible for**  
11      **state USF support. The fact that the residential or single-line business service**  
12      **may be provided as part of a bundled offering, which includes other services, does**  
13      **not make that service ineligible for state USF support.**

14   **Q.     Mr. Gillan, at page five of his testimony, states that bundled offerings are**  
15      **different from stand-alone service and therefore the bundled offerings are**  
16      **not eligible for state USF support. Do you agree?**

17   **A.     No, I do not. I disagree with Mr. Gillan's implication that the individual services**  
18      **in bundled offerings are somehow functionally different from their stand-alone**  
19      **counterparts. South Carolina Code Section 58-9-285 defines a bundled offering**  
20      **as "an offering of two or more products or services to customers at a single price."**  
21      **In addition Section 58-9-285 requires that any regulated service that is provided**  
22      **as part of a bundled offering must also be available as a stand-alone service and**  
23      **requires that the bundled offering must be offered "at rates, terms or conditions**

1 that are different than if the services are purchased separately from the LEC's  
2 tariffed offerings." The rates, terms, and conditions are the only differences  
3 between an access line that is provided as part of a bundled offering and an access  
4 line that is offered as a stand-alone product. The actual service being provided is  
5 not functionally different in any respect. Going back to the analogy I used in my  
6 reply testimony, Mr. Gillan would have the Commission believe that a french fry  
7 somehow is no longer a french fry once it is provided as part of a value meal.  
8 That is not true. A french fry is still a french fry no matter how it is provided.

9 **Q. Mr. Gillan states that the existing rules prohibit state USF support from**  
10 **being provided to bundles that include non-telecommunications components.**  
11 **Is that true?**

12 **A.** No, it is not. Mr. Gillan contrives a twisted interpretation of the rules to suit his  
13 argument and goes to great lengths to find support for his position. Nothing in the  
14 rules state that access lines provided as part of bundled offerings that include non-  
15 telecommunications services are not eligible for USF support. At any rate, the  
16 argument is irrelevant. The bundled offering itself is not receiving state USF  
17 support. The access line that is part of the bundled offering is receiving the  
18 support and should continue to receive support as it is providing basic local  
19 exchange telecommunications services.

1 Q. Mr. Gillan, at pages eight and nine of his reply testimony, calls the state USF  
2 a “revenue-in-perpetuity” fund and claims that Commission did not intend  
3 the fund to be “revenue-in-perpetuity”. Is he correct?

4 A. Once again, Mr. Gillan has twisted the words of Mr. Keith Oliver, witness for the  
5 South Carolina Telephone Coalition, to suit his position. Mr. Oliver was simply  
6 stating, correctly, that the fund made explicit the support that carriers were  
7 already getting through implicit subsidies. The state fund was set up to be  
8 revenue neutral. Any reductions carriers made to intrastate rates that contained  
9 implicit support were recovered, dollar for dollar, through support from the fund.  
10 The state USF was not created to guarantee revenues for carriers of last resort.  
11 However, the Commission did determine that the level of funding should remain  
12 constant:

13  
14 Universal service support programs identify implicit support and  
15 convert it to explicit support so that the support will remain  
16 constant and not erode even if the demand for those services  
17 erodes. In this manner, the support that keeps basic local service  
18 affordable can be maintained even if the local exchange company  
19 loses customers and access revenues, for example as a result of  
20 wireless carriers offering regional calling plans. The fact that the  
21 LEC’s access minutes of use decline in such a scenario is precisely  
22 the reason why State USF should remain static so that the support

1           that keeps basic local exchange service affordable does not  
2           disappear with the access revenues.<sup>1</sup> (emphasis in original)

3  
4           This “revenue-in-perpetuity,” as Mr. Gillan calls it, is needed because the  
5           Commission understands that the cost of providing service in rural areas of the  
6           state is perpetually high cost.

7   **Q.   Mr. Gillan repeatedly refers to the state USF as being funded through a tax.**  
8           **Is there a USF tax?**

9   **A.**   Whether one wishes to call it a surcharge or a tax is a matter of semantics.  
10          Governmental entities routinely assess surcharges or taxes to obtain funding  
11          needed to further a number of social policy objectives. A good example would be  
12          unemployment compensation, which is funded through a tax on employers. I do  
13          not believe that anyone, in the current economic climate, would dispute that the  
14          government has a social obligation to help those citizens that find themselves  
15          unemployed and unable to find work. Similarly, the state of South Carolina is  
16          advancing its universal service policy objectives when it assesses and collects  
17          sufficient funds to implement these objectives. Other examples of  
18          telecommunications related surcharges that promote social objectives are the 911  
19          surcharge, which helps offset the cost of the emergency response system in the  
20          state, and the telecommunications relay surcharge, which funds the system that  
21          helps hard of hearing citizens make and receive phone calls.

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<sup>1</sup> See *In Re: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund*, Docket No. 97-239-C, Order Approving Petitions for Funding from State USF, Order No. 2004-452.

1   **Q.     What are the public policy goals and benefits of the state USF?**

2   A.     The state USF helps make basic local exchange telecommunications services  
3           affordable to all people, thereby helping achieve the public policy goal of  
4           universal service. Universal service is important for a number of reasons.  
5           Obviously the network is more valuable the more people and businesses that are  
6           connected to it. Also, if people disconnect from the network due to unaffordable  
7           rates, it may delay help from arriving timely in an emergency situation.

8

9           Carriers of last resort (“COLRs”) are obligated to provide service throughout their  
10          service territory, regardless of the cost. Through support from the state fund,  
11          COLRs are able to provide affordable service to rural, high-cost customers and  
12          help advance these universal service goals. Mr. Gillan alleges that COLRs should  
13          not automatically be entitled to a subsidy simply because of the rural nature of  
14          their territory.<sup>2</sup> The competitive carriers have chosen not to participate in the  
15          social obligation of ensuring universal service; they should not now restrict those  
16          carriers that do work to fulfill that social obligation from being able to achieve  
17          those goals.

18   **Q.     Mr. Gillan implies that it should not be a goal of the state USF to ensure that**  
19           **rural consumers have access to the same kinds of services that are available**  
20           **to urban consumers at comparable rates. Do you agree?**

21   A. No, I do not. Section 58-280(E) requires the South Carolina USF to be consistent  
22          with federal USF support. And even Mr. Gillan admits, on page 17, line 8 of his

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<sup>2</sup> Reply testimony of Mr. Joseph Gillan at page 1. “The rural ILECs do not enjoy a ‘first-taker’ entitlement to skim a subsidy off the telecommunications bills of others for any purpose they desire, merely because they are rural (or merely because they are carriers-of-last resort).”



1       reply testimony, that a goal of federal USF support is rate comparability. More  
2       importantly, if Mr. Gillan had his way and the Commission were to remove the  
3       current USF support for bundled offerings, COLRs would be forced to  
4       discontinue bundled offerings in high cost and rural areas or to raise the prices of  
5       those services to recover the higher costs. Certainly this discriminatory outcome  
6       is not in the best interests of consumers or the state.

7  
8       The Commission has previously recognized that the state USF benefits rural areas  
9       of the state where, without support from the fund, the cost of service would be too  
10      high for most consumers to afford:

11  
12             If we did not put in place a mechanism to ensure the continued  
13             provision of affordable basic local exchange telephone service to  
14             all citizens, customers in rural areas would be most impacted.  
15             Without a Universal Service Fund mechanism, competition  
16             would drive prices to cost, and costs are generally higher for  
17             rural customers than for urban customers.”<sup>3</sup>

18      **Q.     Does this conclude your testimony?**

19             A.     Yes.

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22  

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<sup>3</sup> See *In Re: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund*, Docket No. 97-239-C, Order on Universal Service Fund, Order No. 2001-419, para. 26.

## CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that she has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: State Universal Service Support of Basic Local Service  
Included in a Bundler Service Offering or Contract Offering

DOCKET NO.: 2009-326-C

**PARTIES SERVED:**

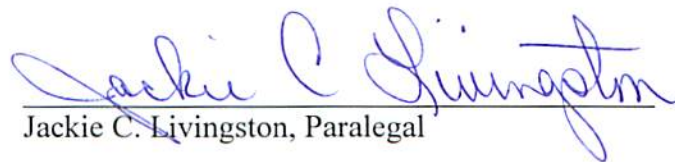
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PLEADING:

Surreply Testimony of Ann C. Prockish

November 13, 2009

  
Jackie C. Livingston, Paralegal